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PAMOUR PORCUPINE MINES, LIMITED

ANNUAL REPORT 1972



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PAMOUR PORCUPINE MINES, LIMITED

EXECUTIVE OFFICE: SUITE 4500, COMMERCE COURT WEST
TORONTO, ONTARIO

DIRECTORS

K. C. Gray	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
P. D. P. Hamilton	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
R. V. Porritt	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
W. S. Row	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
D. E. G. Schmitt	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
A. W. Stollery	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto
J. H. Stovel	-	-	-	-	-	-	-	-	-	-	-	-	-	Toronto

OFFICERS

D. E. G. Schmitt	-	-	-	-	-	-	-	-	-	-	-	President
W. S. Row	-	-	-	-	-	-	-	-	-	-	-	Vice-President
J. A. Graham	-	-	-	-	-	-	-	-	-	-	-	General Manager
B. H. Grose	-	-	-	-	-	-	-	-	-	-	-	Secretary
E. K. Cork	-	-	-	-	-	-	-	-	-	-	-	Treasurer

TRANSFER AGENT AND REGISTRAR: Canada Permanent Trust Company, Toronto and Montreal.

ANNUAL MEETING: April 24, 1973 — 12:00 noon (Toronto Time), King Edward Sheraton Hotel.

DIRECTORS' REPORT TO THE SHAREHOLDERS

A special general meeting of shareholders on November 17, 1972 authorized an increase in share capital from 5,000,000 to 10,000,000 shares and Supplementary Letters Patent to that effect were obtained on the same day. Coincidentally the shareholders confirmed the purchase of the mining claims and all other assets of Aunor Gold Mines Limited with the exception of \$500,000 in cash, for 2,000,000 shares of Pamour. In 1972, Aunor had experienced losses on operation of the mine totalling \$211,000 which were offset by investment income of \$218,300. The acquisition included \$3,191,700 of working capital, \$470,000 of fixed assets, \$2,193,500 of investment and \$800,000 in mining claims.

Dividends paid by Pamour during 1972 totalled \$480,000, of which \$200,000 was paid prior to the increase in issued share capital from 5,000,000 shares to 7,000,000 shares. Dividends paid from commencement of operations to date total \$11,480,000.

The Aunor mine was operated on a continuing basis for the account of Pamour effective November 18 and is designated as the Pamour No. 3 Mine in the remainder of this report. The original Pamour mine has been designated No. 1 Mine and the mine purchased from Hallnor Mines Limited in May 1971 is referred to as the No. 2 Mine. Production from No. 3 Mine, subsequent to purchase, contributed 6,100 ounces of gold from 31,800 tons of ore with a mill head grade which averaged 0.21 oz. of gold per ton. Some 59,650 tons of ore were profitably salvaged from the No. 2 Mine and combined with 632,100 tons from No. 1 Mine for an average grade of 0.139 oz. of gold per ton to the mill and production of 89,900 ounces of gold as compared with 85,100 ounces in 1971. The total production from all three mines was 96,000 ounces of gold and operating profit for the year was \$248,600.

A capital project to increase the capacity of the mill to 2,500 tons per day will be completed in February. Further economies will then be effected by phasing out the operation of the mill at No. 3 Mine and transporting the crushed ore to the expanded Pamour mill. Mining of salvageable reserves from the No. 2 Mine will be completed early in 1973.

The revaluation of gold to \$38 U.S. per ounce was confirmed by the U.S. Congress early in the year and the Emergency Gold Mining Assistance Act was recently extended through June 1976. However, the free market price for gold rose and remained above the official price throughout the year. Therefore all gold was sold on the open market at prices which averaged \$59.70 per ounce, and 1972 was the first year since 1947 in which there was no cost allowance recoverable under the Emergency Gold Mining Assistance Act.

Merging the operations of the three gold producing (Noranda Group) properties in the Porcupine area within one corporate organization has been a logical step toward attaining the most efficient use of the resources available. It followed the integration of operating staffs for the three mines under one manager, beginning in 1970 and has enabled Pamour to offer services on a fee basis for the management of other mining operations in the Porcupine area. The combined proven ore reserves of 2,250,390 tons averaging 0.178 oz. of gold per ton at December 31 were higher than for any previous year during 37 years of Pamour operation.

Mr. J. M. Slack, who was manager from May 1971, resigned to accept another position in the Noranda Group of Companies and was succeeded, as of last May, by Mr. L. R. Redford, formerly the manager at the Boss Mountain property of Brynnor Mines Limited, a Noranda subsidiary in British Columbia.

Your directors wish to record their appreciation of the loyal and able services rendered throughout by both managers, their staff and all employees.

On behalf of the Board,

D. E. G. SCHMITT,
President.

Toronto, Ontario,
January 30, 1973.

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1972

	1972	1971
INCOME		
From metal production	\$5,791,195	\$3,015,101
EXPENSE		
Cost of production	5,255,364	4,052,272
Administrative expenses	133,923	99,328
Depreciation	153,336	62,143
	5,542,623	4,213,743
Less: Recoverable under The Emergency Gold Mining Assistance Act	—	875,000
	5,542,623	3,338,743
OPERATING INCOME (LOSS)	248,572	(323,642)
INVESTMENT INCOME		
Dividends from associated companies	490,082	440,522
Other dividends and interest	25,329	8,469
Profit on sale of investments	2,000	—
	517,411	448,991
NET INCOME FOR THE YEAR	765,983	125,349
RETAINED EARNINGS		
Balance — beginning of year	4,818,877	4,909,892
	5,584,860	5,035,241
Recovery of prior years' income tax provision	—	33,636
	5,584,860	5,068,877
Less: Dividends	480,000	250,000
Balance — end of year	\$5,104,860	\$4,818,877
EARNINGS PER SHARE (note 2)	14.6¢	2.5¢

PAMOUR PORC

(Incorporated)

BALANCE SHEET

ASSETS		
	1972	1971
CURRENT ASSETS		
Cash and short-term deposits	\$ 1,857,833	\$ 12,798
Bullion	1,040,114	404,843
Marketable investments — at cost (quoted market value \$1,233,875)	1,247,209	162,328
Accounts and loans receivable	69,711	36,540
Income taxes recoverable	—	4,398
Receivable under The Emergency Gold Mining Assistance Act	—	337,058
Stores — at cost	665,769	470,433
Prepaid expenses	21,038	17,390
	<u>4,901,674</u>	<u>1,445,788</u>
INVESTMENTS — at cost		
Shares of associated companies (quoted market value \$14,924,371)	<u>7,226,018</u>	<u>4,970,638</u>
FIXED ASSETS		
Plant, buildings, equipment and townsite — at cost	4,065,211	3,096,951
Accumulated depreciation	2,876,331	2,742,164
	<u>1,188,880</u>	<u>354,787</u>
Mine properties — at cost	995,677	175,177
	<u>2,184,557</u>	<u>529,964</u>
GOODWILL (note 1)	<u>344,746</u>	<u>—</u>
	<u><u>\$14,656,995</u></u>	<u><u>\$6,946,390</u></u>

AUDITORS' REPORT

We have examined the balance sheet of Pamour Porcupine Mines, Limited as at December 31, 1972 and statements of operations and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and supporting evidence as we considered necessary in the circumstances.

Toronto, Ontario,
January 23, 1973.

MINES, LIMITED

(Incorporated in the Province of Ontario, Canada)

DECEMBER 31, 1972

LIABILITIES		1972	1971
CURRENT LIABILITIES			
Short-term loan	\$ —	\$ 110,000	
Accounts payable	1,164,635	630,013	
	<u>1,164,635</u>	<u>740,013</u>	
SHAREHOLDERS' EQUITY			
CAPITAL STOCK (notes 1 and 2)			
Authorized —			
10,000,000 shares of no par value			
Issued and fully paid —			
7,000,000 shares	8,387,500	1,387,500	
RETAINED EARNINGS	5,104,860	4,818,877	
	<u>13,492,360</u>	<u>6,206,377</u>	
Signed on behalf of the Board:			
D. E. G. SCHMITT, Director.			
W. S. ROW, Director.			
	<u>\$14,656,995</u>	<u>\$6,946,390</u>	

TO THE SHAREHOLDERS

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1972 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDONALD, CURRIE & CO.,
Chartered Accountants.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1972

	1972	1971
WORKING CAPITAL — BEGINNING OF YEAR	\$ 705,800	\$ 947,200
SOURCE OF FUNDS		
Operations —		
Net income for the year	765,900	125,400
Depreciation	153,300	62,100
Recovery of prior years' income tax provision	—	33,600
	<u>919,200</u>	<u>221,100</u>
Working capital acquired from Aunor	3,191,700	—
Capital stock issued in consideration of net assets of Aunor (note 1)	7,000,000	—
	<u>11,110,900</u>	<u>221,100</u>
APPLICATION OF FUNDS		
Assets purchased from Aunor (note 1) —		
Working capital	3,191,700	—
Fixed assets	470,000	—
Investments	2,193,500	—
Mining claims	800,000	—
Goodwill	344,800	—
	<u>7,000,000</u>	<u>—</u>
Purchase of investments	61,900	—
Dividends	480,000	250,000
Fixed assets — net	517,300	212,500
Purchase of mining claims	20,500	—
	<u>8,079,700</u>	<u>462,500</u>
NET INCREASE (DECREASE)	<u>3,031,200</u>	<u>(241,400)</u>
WORKING CAPITAL — END OF YEAR	<u>\$ 3,737,000</u>	<u>\$ 705,800</u>

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1972

- Pursuant to an agreement dated September 30, 1972, the company acquired all the property and assets (except \$500,000 cash) of Aunor Gold Mines, Limited as of November 17, 1972 in consideration for 2,000,000 shares of the Company at a value of \$3.50 per share and the assumption of all the liabilities. The excess of the purchase price over the value of the assets acquired of \$344,746 has been included in the financial statements as "goodwill".
- The Company increased the authorized capital stock from 5,000,000 shares without nominal or par value to 10,000,000 shares by the creation of an additional 5,000,000 without nominal or par value, confirmed by supplementary letters patent dated November 17, 1972.
The 1972 earnings per share are based on the weighted average of the number of shares (5,240,437) outstanding during the year. The 1971 earnings per share are based on 5,000,000 shares outstanding during that year.
- The following information is presented in accordance with subsection 3(17) of section 126 of The Ontario Securities Act, 1970:

Net assets acquired at the net book value of the seller	\$5,913,858
Adjustment thereto to purchase consideration	1,086,142
	<u>7,000,000</u>
Equated to:	
Ascribed value of shares issued	<u>\$7,000,000</u>
- The aggregate remuneration paid or payable to the seven directors amounted to \$4,700. Two of the four officers of the Company are directors. No remuneration is paid to officers other than for services as directors.
Remuneration paid or payable to the five highest paid employees of the Company amounted to \$53,935.

MANAGER'S REPORT

The following report summarizes operations for the year 1972 at the main No. 1 Mine and the No. 2 Mine (Hallnor). Operating results for the No. 3 Mine (Aunor) are included from November 18, 1972, the date of acquisition.

PRODUCTION

	No. 1 and No. 2 Mines		No. 3 Mine
	1972	1971	1972*
Tons milled	691,745	690,550	31,780
Tons milled per calendar day	1,890	1,892	722
Average gold content — oz./ton	0.139	0.138	0.207
Average tailings — oz./ton	0.009	0.015	0.014
Total recovery %	93.5	89.1	92.9
Gold production — ounces	89,889	85,100	6,112
Value of production	\$5,389,400	\$3,015,100	\$ 401,750

* from Nov. 18

Tonnage milled was lower than planned due to a hoisting accident in the main production shaft and repairs to major crushing equipment. The milling operation at No. 2 Mine was terminated on February 18, 1972 and thereafter ore from that mine was trucked to the Pamour No. 1 mill.

MINING

Development	No. 1 Mine		No. 2 Mine		No. 3
	1972	1971	1972	1971**	1972*
Advance (feet)	2,292	2,432	1,233	258	142
Stope Preparation (feet)	10,686	6,197	2,228	1,901	817
Diamond Drilling	21,427	35,678	10,171	1,951	351

** 8 months. * from Nov. 18

Drifting on the 1200 level explored 66 Vein which averaged 0.24 oz. of gold per ton for a length of 182 feet. In the No. 2 Mine, on the 25th (3860') level, drifting on No. 15 Vein averaged 0.20 oz. of gold per ton for a length of 144 feet and on the 28th (4310') level, 25 feet averaged 0.32 oz. of gold per ton.

Diamond Drilling

Exploratory diamond drilling totalled 31,598 feet in 183 holes. This compares with 37,629 feet in 289 holes in 1971. Some 70,000 tons grading 0.21 oz. of gold per ton were indicated in 70G zone above and below 1800 level and 185,000 tons grading 0.10 oz. of gold per ton in Three Nations #2 Vein above and below 1600 level. In the west end of the mine an additional 19,000 tons averaging 0.40 oz. of gold per ton were outlined in 41 Vein below the 1200 level.

Diamond drilling in the No. 2 mine failed to indicate any additional ore of economic significance.

Stoping

No. 1 Mine — Stopping was carried on in the east and west sections of the mine with the former accounting for 83% of the total production. Some 513,000 tons averaging 0.104 oz. of gold per ton from car samples were trammed from the east stopes and 106,360 tons grading 0.164 oz. of gold per ton from the west section for a total of 619,360 tons grading 0.115 oz. of gold per ton. Of the total ore mined, lava formations accounted for 49%, greywacke for 31% and conglomerate for 20%.

No. 2 Mine — Some 52,170 tons of ore averaging 0.62 oz. gold per ton from car samples, were produced from the No. 2 mine, 72% of which was from the No. 2 (internal shaft) section below the 22nd (3500') level.

Declining grade of ore mined during the last quarter resulted in a 'cutback' of production and mining of ore remnants will be concluded early in 1973.

ORE RESERVES

Estimates as of January 1, 1973, including normal dilution allowance, were:

	<u>Tons</u>	<u>Gold Oz./Ton</u>	<u>Tons</u>	<u>Gold Oz./Ton</u>
No. 1 Mine				
Broken:				
East End	247,915	0.095		
West End	<u>85,360</u>	<u>0.112</u>	333,275	0.099
In Place:				
East End	960,330	0.118		
West End	<u>125,170</u>	<u>0.191</u>	<u>1,085,500</u>	<u>0.125</u>
Sub-Totals:				
East Ore	1,208,245	0.112		
West Ore	<u>210,530</u>	<u>0.160</u>	1,418,775	0.119
No. 2 Mine				
Broken	6,595	0.278		
In Place	<u>9,020</u>	<u>0.278</u>	15,615	0.278
No. 3 Mine	<u>816,000</u>	<u>0.278</u>	<u>816,000</u>	<u>0.278</u>
Combined Proven Reserves			<u><u>2,250,390</u></u>	<u><u>0.178</u></u>

GENERAL

A construction program to increase milling capacity at No. 1 mine to 2,500 tons per day will be completed in February 1973. The mill will then accommodate additional tonnage from the No. 1 Mine and ore to be trucked from No. 3 Mine.

A Porcupine Area Exploration Department was set up in November to evaluate the potential of gold deposits in the area and to develop new sources of ore for treatment in the expanded Pamour mill.

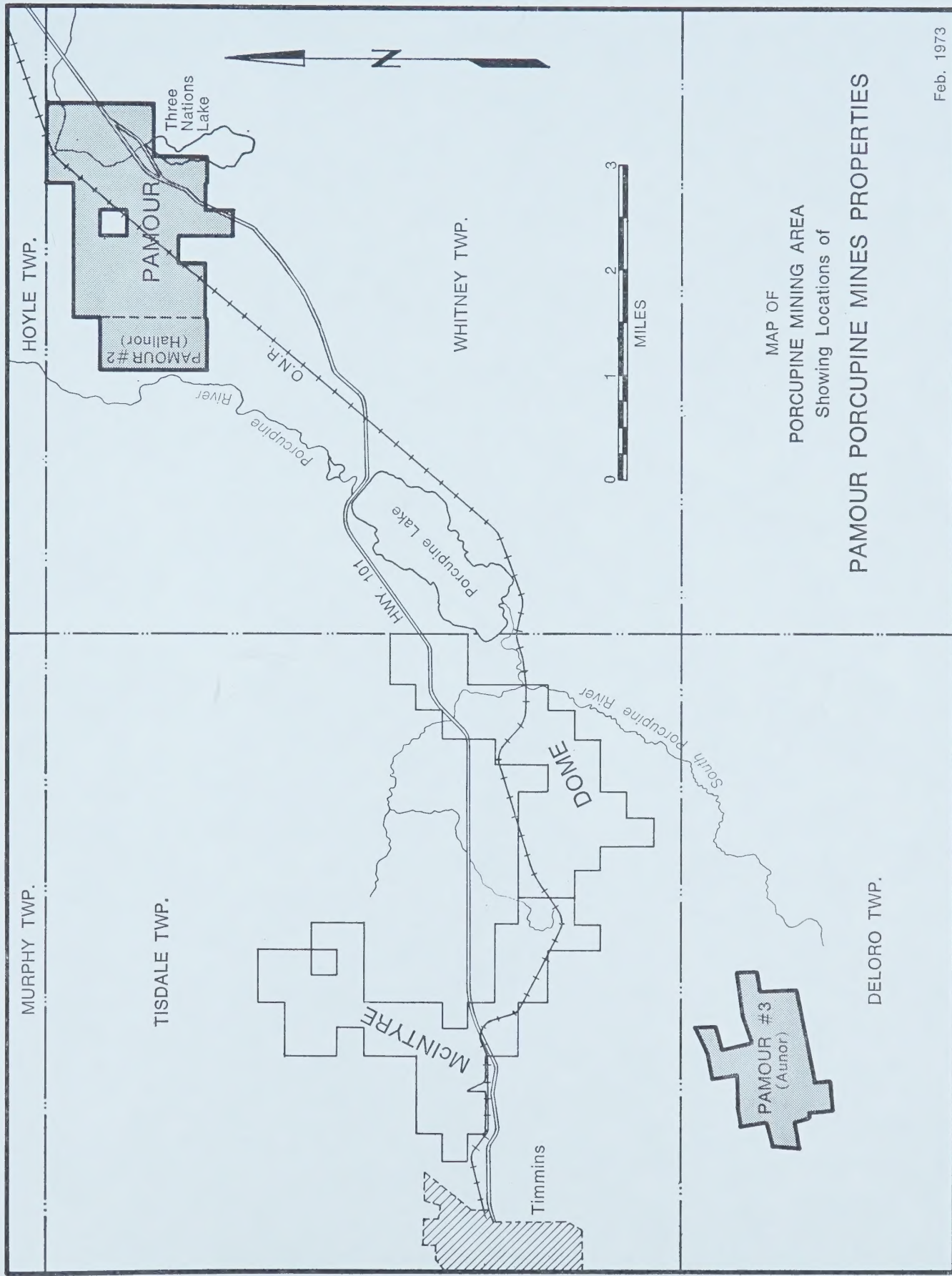
There were 697 employees at the year end, including 48 at No. 2 Mine, 230 at No. 3 Mine, and some 42 who have responsibilities at two or more mine sites in the area.

I wish to record my appreciation of the services rendered during the year by the superintendents, staff, and other members of the work force.

Respectfully submitted,

Pamour, Ontario,
January 22, 1973.

L. R. REDFORD,
Manager.



MAP OF
PORCUPINE MINING AREA
Showing Locations of

PAMOUR PORCUPINE MINES PROPERTIES

